

## Message Text

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4532

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AMEMBASSY ABU DHABI

AMEMBASSU DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

AMEMBASSY LONDON

USINT BAGHDAD

UNCLAS KUWAIT 0349

COMMERCE AND LONDON ALSO FOR MARAD

E.O. 11652: N/A

TAGS: EWWT, ECIN, KU

SUBJ: REGISOAL SHIPPING LINE: UPDATE

REF: 75 JUWAIT 5068, 75 KUWAIT 4450, 75 KUWAIT A-105 DEC 21, 1975

1. IN STATEMENTS ACCOMPANING JANUARY 19 SIGNING CEREMONY OF FINANCE MINISTERS OF ARAB GULF STATES PARTICIPATING IN UMOL ARAB SHIPPING COMPANY (UASC), GOK MINISTER OF FINANCE ABDUL RAHMAN AL-ATEEQI GAVE SOME INDICATION OF THE SIZE AND SCOPE OF OPERATIONS OF THE NEW-KUWAIT BASED FIRM. HE SAID THAT THE CONCERN WOULD BE IN FULL OPERATION BY AUGUST, AT WHICH TIME KUWAIT SHIPPING COMPANY'S (KSC) 26 VESSELS WOULD BE TURNED OVER TO THE NEW SHIPPING LINE. TWENTY SHIPS WOULD BE PROVIDED BY THE OTHER FIVE PARTICIPATING STATES. VEBEEQI WENT ON TO STATE THAT UASC WOULD HAVE MORE THAN 100 VESSELS BY 1980, AND 150 VESSELS BY 1985. AMONG THESE NEW SHIPS WOULD BE SPECIALIZED CARGO CARRIERS VEPABLE OF FERRYING FULLY-LOADED 100-TON TRUCKS. ACCORDING TO UNCLASSIFIED

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ATEEQI, THESE NEW SHIPS WOULD BE CARRING AN INCREASING SHARE

OF GULF STATES IMPORTS, THUS SAVING MILLIONS IN SHIPPING COSTS FOR THE PARTICIPATING STATES.

2. COMMENT: ATEEQI STATEMENTS ARE INTERESTING IN THAT THEY BOTH CONFIRM WHAT HAD BEEN REPORTED IN SECOND REFTEL THAT NEW SHIPPING COMPANIES WOULD BE PURCHASING "LARGE" NUMBERS OF SHIPS, AND CONTRADICT THE INTENTION EXPRESSED BY KSC TO PURCHASE ONLY CONVENTIONAL BREAK-BULK VESSELS. IT IS POSSIBLE THAT SHIFT IN THINKING (IF INDEED IT HAS OCCURRED) CAUSED BY PRESSURE OF LOWER GULF STATES PARTICIPATING IN UASC, WHO ARE KNOWN (REFTELS) TO HAVE FAVORED THE PURCHASE OF SPECIALIZED CARGO VESSELS. IF ACCURATE, STATEMENTS INDICATE THAT KSC FLEET WHICH WILL NEARLY DOUBLE BY 1977, WILL BE DOUBLING AGAIN BY 1985, AND THAT KSC WILL BE ENTERING THE MARKET FOR MORE SPECIALIZED CARGO CARRIERS LIKE RORO-ON/RORO-OFF. BOTH DEVELOPMENTS PRESENT SIGNIFICANT TRADE OPPORTUNITIES FOR AMERICAN SHIPPING FIRMS.

3. ALONG SIMILAR LINES, EMBASSY HAS LEARNED OF AT LEAST TWO CASES IN WHICH KUWAITI BUSINESSMEN ARE PLANNING TO SET UP COMPANIES TO PROVIDE VARIOUS SHIPPING SERVICES IN THE GULF, AMONG THEM BEING: (1) FUEL AND WATER, BARGE AND LIGHTER SERVICE FOR SHIPS DELAYED IN ONE PORT FOR UNLOADING IN THAT PORT IN OTHER GULF PORTS, AND (2) INTERCOSTAL SERVICE. IN ONE CASE, THE FIRM HAS EXPRESSED A DEFINITE INTEREST IN U.S. SHIPPING FIRMS AS POSSIBLE JOINT-VENTURE PARTNERS FOR THE PROVISION OF EQUIPMENT, OPERATING MANAGEMENT, AND TRAINING. AT THIS TIME, IT IS UNCERTAIN HOW THESE COMPANIES WOULD BE COORDINATED WITH UASC OPERATIONS, BUT PRESUMABLE THEY WOULD CONCENTRATE ON INTRA-GULF TRADE. IN ANY CASE, THEY ARE ANOTHER INDICATION OF EXPANDING TRADE OPPORTUNITIES FOR U.S. FIRMS IN AREA OF SHIPPING.

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